

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 92-001-E - ORDER NO. 92-297 ✓  
APRIL 22, 1992

IN RE: South Carolina Electric and Gas	)	ORDER APPROVING
Company - Semi-Annual Review of	)	BASE RATES FOR
Base Rates for Fuel Costs	)	FUEL COSTS

On April 21, 1992, the Public Service Commission of South Carolina (the Commission) held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by South Carolina Electric & Gas Company (the Company) to provide service to its retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann. §58-27-865 (Cum. Supp. 1991).

At the April 21, 1992, hearing, Patricia T. Smith, Esquire, represented the Company; Nancy V. Coombs, Esquire, represented the Intervenor, the Consumer Advocate of South Carolina; and F. David Butler, Esquire, Staff Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of four witnesses on behalf of the Company, two witnesses on behalf of the Commission Staff, and four exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

1. The record of this proceeding indicates that for the period from September 1991 through February 1992 the Company's actual total fuel burned costs for its electric operations amounted to \$73,838,080.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for the Company's fossil, nuclear and hydraulic plants for September 1991 through February 1992. The fossil generation ranged from a high of 93% in October 1991 to a low of 52% in February 1992. The nuclear generation ranged from a high of 43% in February 1992 to a low of 0% in October 1991. The percentage of generation by hydro ranged from 4% to 8% for this period.

3. During the September 1991 through February 1992 period, coal suppliers delivered 2,310,665 tons of coal at a weighted average received cost per ton of \$40.87. The Commission Staff's audit of the Company's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from \$40.47 per ton in December 1991 to \$41.41 per ton in January 1992.

4. The Commission Staff conducted an extensive review and audit of the Company's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, Jacqueline Cherry, testified that the Company's fuel costs were supported by the Company's books and records.

5. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment of the fuel component in the Company's base rates that variations between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. Section 58-27-865, supra, establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

6. The record of this proceeding indicates that the comparison of the Company's fuel revenues and expenses for the period September 1991 through February 1992 produces an over-recovery of \$10,064,674 through February 1992. Adding the projected over-recovery for March 1992 of \$1,042,800 and the projected over-recovery for April 1992 of \$1,762,800 gives a cumulative over-recovery of \$12,870,274.

7. Company witness, John I. Byrd, Jr. - Supervisor of Electric Revenue Requirements, proposed that the Commission adjust the fuel component in base rates from the presently approved 1.525 cents/KWH to 1.415 cents/KWH for the six (6) months ending October 31, 1992.

8. The Company's projected average fuel expense for the May 1992 through October 1992 period is 1.469 cents per KWH. However, when adjusted by an over-recovery amount of 0.054 cents per KWH through October 1992, the resultant fuel factor of 1.415 cents per KWH, would be required to minimize the variance between the average projected fuel cost and actual fuel costs at the conclusion of the twelve months period ending April 30, 1993, according to the Company.

9. The Commission's Staff witness Randy H. Erskine, Utilities Engineer Associate II, demonstrated that the projected fuel cost for the six-month period ending October 31, 1992, including the cumulative over-recovery of \$12,870,274 through April 1992 would be recovered by the establishment of a fuel component of 1.3500 cents per KWH in the base rates, and would result in the production of an estimated over-recovery in the amount of \$3,278,664. This recommendation is in keeping with the spirit of the statute to allow utilities to recover prudently incurred fuel cost "in a manner that tends to insure public confidence and minimize abrupt changes in charges to consumers." This recommendation will also tend to limit fluctuations in the fuel factor over the long term. The Consumer Advocate moved at the close of the hearing that we approve a fuel factor of no more than 1.3100 cents per KWH. According to Staff witness Erskine's analysis in Hearing Exhibit 4, approval of a fuel factor of 1.3096 cents per KWH would create an estimated \$17,684 over-collection in

the cumulative recovery account. While approval of this factor certainly has surface appeal, we are concerned that lowering the factor to this point could create the potential need for a major increase in the factor at SCE&G's next fuel proceeding. We believe that Staff's recommendation is more likely to limit fluctuations in the fuel factor over the long term.

10. The Commission has carefully reviewed the proposals advanced by the Company, the Consumer Advocate, and Commission Staff in regard to an adjustment to the fuel component in the Company's base rates. Based upon our full review of the record in this proceeding, the Commission is of the opinion, and so finds, that the recommendation as proposed by the Staff is fair and reasonable and should herein be approved, effective commencing with the Company's May 1992 billings. Based upon the projected fuel costs and energy sales through the next six months, the operation of a fuel component of 1.3500 cents per KWH will produce a cumulative over-recovery of fuel costs in an amount of \$3,278,664 for the period ending October 31, 1992. The Commission considers that the adoption of this fuel cost level herein will serve to encourage the Company to continue its efforts in the exercise of reasonable prudence and efficiency in its fuel purchasing practices.

11. Based on the testimony of Staff witness Erskine, the Commission finds that the nuclear outages of the Company during the period in question were necessary and concludes that the outages did not cause SCE&G's customers to pay unreasonable fuel costs.

12. Counsel for the Consumer Advocate stated at the hearing that the Consumer Advocate wishes to preserve his right to continue to contest the following two issues in Order Nos. 90-177, 90-335, 90-503, 90-655, 91-304, and 91-970 in Docket Nos. 89-6-E, 90-7-E, 91-001-E, 91-002-E, and this Docket, 92-001-E, pending appeal in Hamm v. South Carolina Public Service Commission and SCE&G, 90-CP-40-2102 and Hamm v. South Carolina Public Service Commission and SCE&G, 90-CP-40-3681: (a) the validity of the Commission's orders requiring the Consumer Advocate to sign a confidentiality agreement before being allowed to review coal and transportation contracts and (b) the right to seek refunds to SCE&G's affected customers for any fuel costs, with interest, which the Commission may determine to have been unreasonable if the Consumer Advocate prevails in his appeal. Refunds would be issued if the Commission holds a new hearing on the fuel costs, and the Commission determines as a result of the Consumer Advocate's review of the contracts that SCE&G's fuel costs were unreasonable. The Company so stipulated.

The Commission notes that the issue of the confidentiality and disclosure of coal supply and railroad transportation agreements shall be governed by Commission Order No. 91-272, issued in Docket No. 90-425-E on April 18, 1991.

The Commission approves the stipulation of the parties that to the extent any fuel costs sought to be recovered in the instant proceeding are affected by the decision in the pending appeals, the

Consumer Advocate's determination in this Docket not to raise issues concerning the confidentiality of coal and transportation contracts shall not constitute a waiver of the Consumer Advocate's right to challenge such fuel costs and seek a refund to SCE&G's affected customers with interest should the Consumer Advocate prevail in the pending appeals. Refunds would be issued if the Commission holds a new hearing on the matter and finds, as a result of the Consumer Advocate's review of the contracts at issue, fuel costs to be unreasonable and therefore disallows the recovery of such unreasonable fuel costs.

IT IS THEREFORE ORDERED:

1. That a fuel component of 1.3500 cents per KWH be, and hereby is, approved for South Carolina Electric & Gas Company, effective on bills rendered on and after May 1, 1992.

2. That South Carolina Electric & Gas Company file with the Commission for approval, within fifteen (15) days of the date of this Order, rate schedules designed to incorporate our findings herein and an Adjustment for Fuel Costs, as demonstrated in Appendix A, attached hereto and incorporated by reference.

3. That the Company comply with the Notice requirements set forth in S.C. Code Ann., §58-27-865 (A) (Cum. Supp. 1990).

4. That the Company continue to file the monthly reports previously required in this Docket.

5. That the Company account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. That the Company submit monthly reports to the Commission of fuel cost and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. That the Commission approves the stipulation of the parties as to issues on appeal as set out hereinabove.

8. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

VICE Chairman



ATTEST:

  
Executive Director

(SEAL)



**SOUTH CAROLINA ELECTRIC AND GAS COMPANY**  
**Adjustment for Fuel Costs**

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of fuel in an amount to the nearest one-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission for the succeeding six months or shorter period:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F= Fuel cost per Kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E= Total projected system fuel costs:

(A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

(B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

PLUS

(C) Interchange power fuel costs such as Short Term, Economy, and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

(D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S<sub>1</sub> = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue related tax factor is to be included in these calculations.

The fuel costs (F) as determined by Public Service Commission of South Carolina Order No. 92-297 for the period May 1992 through October 1992 is 1.3500 cents per kilowatt-hour.